

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 /045 W

----- 056096

R 090822Z AUG 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8614

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PASS USDA/FAS/STEPHENS, CEP AND WILLIAMS, COT DIV, FMD

STATE FOR ANGEVINE, F&TD

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: COTTON CONTRACT PROBLEM

REF: STATE 184746

1. FOLLOWING IS CURRENT STATUS OVERDUE CONTRACTS:

A. YUPANGCO. ON JUNE 5, CIEC SENT FOLLOWING TELEX TO JIMENEZ TRADING (BUT NOT TO CIEC MANILA AGENT). SAME MESSAGE SENT TO DBP. QUOTE. WE HAVE CANCELLED ALL OUTSTANDING CONTRACTS AT PAR IN CONSIDERATION OF BUYERS REQUESTING COURT RESCINDING AWARD RENDERED. THE ABOVE OFFER ONLY TO FINALIZE OLD TRANSACTIONS AND DOES NOT REPRESENT OUR ACCEPTANCE OF COURT'S DECISION. END QUOTE.

COMMENT. DBP HAS INFORMED YUPANGCO THAT CIEC WILL NOT SHIP AGAINST OPENED L/C'S AND ADVISED YUPANGCO TO FORGET THESE OVERDUE CONTRACTS. DBP PROMISED TO ASSIST YUPANGCO WITH CREDIT TO PURCHASE COTTON. AGATTACHE DOUBTS YUPANGCO WILL REQUEST COURT TO RESCIND AWARD RENDERED. CIEC WILL PROBABLY NOT BE PERMITTED SELL COTTON IN PHILIPPINES.

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B. LIRAG.

(1) HOHENBERG ARRANGED MUTUAL CANCELLATION ITS OVERDUE CONTRACTS. DBP AGREED AND HOHENBERG PERMITTED CONTINUE SELL COTTON THIS MARKET.

(2) ALLENBERG WILL HAVE BOARD OF DIRECTORS MEETING AUGUST 15 TO DECIDE COURSE OF ACTION.

(3) PAN AMERICAN HAS BEEN CONTACTED BY LOCAL AGENT WITH REQUEST FOR DECISION ON SUBJECT CONTRACTS. TO DATE LOCAL AGENT HAS NOT EXPLORED ALTERNATIVES FOR DISPOSAL, I.E., CANCELLATION OR SALE TO OTHER MILLS AND PAN AMERICAN HAS BEEN SILENT. COMMENT. EMBASSY SUGGESTS THAT BOTH ALLENBERG AND PAN AMERICAN WORK OUT CANCELLATION WITH LIRAG ALONG SAME LINES AS HOHENBERG.

C. UNITED ASIA. ACCORDING TO DBP, MILL IN EXTREMELY POOR FINANCIAL CONDITION. CURRENTLY SPINNING WASTE COTTON AND BUYS A FEW BALES FROM OTHER MILLS IN ORDER TO KEEP OPERATING. NEITHER LOCAL AGENT NOR PAN AMERICAN HAVE GIVEN MUCH THOUGHT TO SOLUTION. COMMENT. EMBASSY BELIEVES PAN AMERICA SHOULD CONTACT UNITED ASIA, GIVING THEM TWO WEEKS NOTICE OF CANCELLATION.

D. CENTRAL TEXTILES. WASHINGTON FULLY AWARE OF SITUATION. CENTRAL IS BUYING COTTON BUT APPARENTLY NOT FROM MEMBERS OF ACEA - DBP MUST ABIDE BY DECISION OF CENTRAL BANK. COMMENT. EMBASSY FEELS THIS A DEAD ISSUE AND CONTINUED CONFRONTATION IS LIKE BEATING A DEAD HORSE. WE BELIEVE THIS CONTRACT SHOULD BE REMOVED FROM OVERDUE LIST. IF ALLENBERG PERSISTS, DBP MAY RETALIATE AND NOT PERMIT THEM TO SELL COTTON IN PHILIPPINES. SULLIVAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COTTON, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ellisoob  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976MANILA11829  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760305-0972  
**From:** MANILA  
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**Line Count:** 88  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 184746  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ellisoob  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 JUN 2004 by CunninFX>; APPROVED <04 OCT 2004 by ellisoob>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COTTON CONTRACT PROBLEM  
**TAGS:** EAGR, EPAP, CIEC, YUPANGCO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006